

Message Text

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PAGE 01 PRETOR 00722 191349Z

14

ACTION AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 IO-11 EUR-12 /103 W

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R 191321Z FEB 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 3833

LIMITED OFFICIAL USE PRETORIA 0722

FOLLOWING MESSAGE TO PRETORIA, INFO DURBAN AND JOHANNESBURG
FROM CAPE TOWN DATED 13 FEB 76 IS REPEATED FOR YOUR ACTION.

QUOTE:

LIMITED OFFICIAL USE CAPE TOWN 0151

E.O. 11652: N/A

TAGS: ECON EFIN SF

SUBJ: SAG INTRODUCES PART APPROPRIATION BILL

REF: CAPE TOWN 0066

SAG FINANCE MINISTER HORWOOD INTRODUCED THE ANNUAL "PART
APPROPRIATION" BILL ON FEB. 9 IN THE AMOUNT OF R2.343 BILLION
(TWO BILLION THREE HUNDRED FORTY THREE MILLION RAND) OF WHICH
2.3 BILLION IS FOR SOUTH AFRICA AND 43 MILLION FOR SOUTH WEST
AFRICA. AS EMBASSY AWARE, SINCE BY LAW TAX LEGISLATION CAN
ONLY BE INTRODUCED IN CONJUNCTION WITH FULL BUDGET, PART
APPROPRIATION IS NORMAL DEVICE USED TO PROVIDE SUPPLEMENTARY
FUNDS UNTIL FULL BUDGET IS PRESENTED IN MARCH AND IS GENERALLY
USED BY OPPOSITION PARTIES AS OPPORTUNITY FOR GENERALIZED
CRITICISM OF GOVT ECONOMIC POLICIES.

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PAGE 02 PRETOR 00722 191349Z

WHILE HANSARD ACCOUNT OF DEBATES NOT YET AVAILABLE, PUBLIC REACTION TO DATE HAS BEEN SLIGHT. THE PRESIDENT OF THE CAPE TOWN CHAMBER OF INDUSTRIES CHARACTERIZED IT AS "A BITTER PILL WITH A VERY LIGHT SUGAR COATING." BITTER PILL WAS ANNOUNCED INTENTION TO CUT GOVERNMENT EXPENDITURE THIS FISCAL YEAR BY MORE THAN R800 MILLION WHILE SUGAR COATING WAS ABSENCE OF ANY ANNOUNCED INTENTION TO INCREASE INDIRECT TAXES.

DESPITE PAUCITY PRESS AND PUBLIC REACTION, IT INTERESTING TO NOTE THAT PART APPROPRIATION REPRESENTS 19 PERCENT INCREASE OVER LAST YEAR'S. WITH DEFENSE SPENDING CERTAIN TO INCREASE SUBSTANTIALLY AND WITH GOVERNMENT PLEDGE TO CUT SPENDING BELOW LAST YEAR'S LEVEL, IT CAN BE SEEN THAT THERE WILL BE A MAJOR SQUEEZE ON THE NON-DEFENSE PORTIONS OF THE BUDGET. ONE INTERESTING QUESTION IS WHAT SAG WILL DO WITH REGARD TO CIVIL SERVICE SALARY INCREASES. IN RECENT CONVERSATION, MEYER FELDBERG OF UCT GRADUATE SCHOOL OF BUSINESS SAID HE THOUGHT RECENT BUREAU OF ECONOMIC RESEARCH (BER) REVISED ESTIMATE PREDICTING INFLATION RATE OF 11.5 TO 12 PERCENT WAS "OPTIMISTIC". FELDBERG SAID HE THOUGHT SAG WOULD HAVE TO ALLOW CIVIL SERVICE SALARY INCREASES IN MARCH, APRIL WHICH WOULD LIKELY SPUR ROUND OF INCREASES IN PRIVATE SECTOR. THIS, COUPLED WITH INCREASED DEFENSE SPENDING WHICH HE THOUGHT WOULD BE AT LEAST R300 MILLION, WAS MORE LIKELY TO RESULT IN AN INFLATION RATE AROUND 15 PERCENT FOR THE YEAR.

GAMON

UNQUOTE:.

BOWDLER

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Message Attributes

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Margaret P. Grafeld
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TAGS: ECON, EFIN, SF, WA
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